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Dear Valued Client,

The time has arrived for the lodgment of **2014 Tax Returns**.

New Initiatives:

- Launch of **James W Mann Finance**. Let us quote you on a better mortgage rate. No cost if we cannot save you money.
- Launch of our new web page, www.jwmann.com.au. Please refer to this new resource for updated information.

This year the ATO will NOT be issuing refund cheques for all returns. All refunds must be deposited directly to a bank account, so please ensure that you bring your current BSB and Account Number. This also means our fee needs to be paid prior to lodgment. **EFTPOS facilities are available.**

Individual Returns:

- **Private Health Cover:** Further changes have been made that adds to the amount of information required to report on a return due to the change to the Private Health rebate. This year each partner will receive a separate individual Private Health Statement. Anyone who has had Private Cover during this year will need to have their Private Health Statement before their return can be prepared.
- **Spouse Income:** This year it will be necessary to report all Spouse Income in order for these income changes to be calculated, so please bring your Spouse Income details. The 2014 year will also be the last year for the Dependant Spouse Offset.
- **Net Medical Expenses phase out:** Medical expenses have been divided into Category A + B. Category A expenses are, disability aids, attendant care or aged care. Claims for this group have been extended until 2019. Category B expenses which are traditional medical expenses require you to have made a claim in the 2013 return to have a claim in the 2014 year. To maximise this claim we require a physical or downloaded copy of your Medical Expense Statement from Medicare, along with your Private Health Fund, as soon as possible. Also required is a print out of your scripts, which can be obtained at your chemist for all members of the family.
- **The Medicare Levy** has been increased by 0.5%. This lifts the total Levy to 2% effective 2014. It provides funding towards Disability Care Australia.
- **Super Caps: 2 Caps for 2014**
Positive changes have been announced regarding **Superannuation caps** and are subject to certain age requirements:
 - For individuals aged under 59 on 30.6.13 their Concessional Cap remains \$25000.00.
 - Individuals aged 59 or more on 30.6.13 will have a Concessional Cap of \$35000.00.
 - 2014-15 Individuals aged over 49 on 30.6.14 will also have a Concessional Cap of \$35000.00
- **Excess Super Contributions Tax:** This will now be included in the Individuals Assessable Income, getting taxed at their marginal rate. This will be a saving for individuals who are not on the top marginal rate.
- **ATO Audit focus** this year is looking at Employee Truck driver meal and travel expenses, overseas seminars and courses, MV claims for tradesmen's vehicles, wages paid to spouses, PSI and home office occupancy expenses.

- **Rental properties:** The ATO is continuing its scrutiny of Rental Properties, flagging an extensive audit program. Therefore, extra care in making claims is necessary, particularly when there has been some private use of the property. Details of all types of rental expenses claimed are now submitted to the ATO with the return, making the need for substantiated claims even greater. **The ATO will give extra attention to Depreciation claims and Loan Refinancing!**

You must provide **accurate** details of bank interest income earned by you during the financial year from 1st July 2013 to 30th June 2014. The ATO's income matching system now detects a number of people who have understated their income on their return. In most cases these people have not deliberately understated their income, but did not provide their tax agent with sufficient information. **Please do not guess or estimate your interest income.** We suggest, for the sake of simplicity and confidence, that you obtain a **Statement of your Interest Income** from your bank for all accounts and bring it with you or drop off with tax information.

Business Returns:

- **Superannuation compulsory contributions** have increased to **9.5%** as of 1st July 2014. This must still be **paid quarterly**, and within 28 days, or it will result in penalties and a denial of tax deduction.

- **ATO Audit Focus:** The ATO has flagged their audit activity to focus on businesses **outside their industry benchmark ratios, PSI; and payments to contractors**, which come under the new reporting regime and also focus on your liability to pay Super, PAYG and WorkCover.

- **Work related claims:** This year the ATO have indicated this area will come under strong audit scrutiny. Do not be discouraged from making a valid claim. However, to ensure that you keep the claim in an audit, you will need to satisfy the substantiation requirements of the ATO and sign a declaration of your responsibility to the content of your return. Work related claims must be substantiated with receipts if their balance is over \$300.00. It would help our process if you compiled your receipts and other records of your deductible expenses before making your appointment. This may include Motor Vehicle log books, travel and usage diaries. Much more detail is required this year in the tax return, showing the types of claims made. We continually undergo training to keep abreast of these changes and strive to ensure that you receive the **maximum claims** you are entitled to.

- **Documents** you need to email in or bring to the consultation may include PAYG summaries, pension or benefit statements, documents related to all bank accounts or other financial investments such as Term Deposits or share dividends, details of family income, employee share details

- **GST** clients note that the changes to the new tax system are putting greater demands upon you. We are able to provide **GST Specific** manuals or Handisoft **computer cash books** that track the GST credits you can claim back. If you have not already got one of these, call our office to ensure you do not miss out on your GST claims.

- **Personal Services Income**, commonly called the New Contractor Law, will be a big issue this year and will significantly add to the complexity of affected returns. The rules are complex and need to be treated on an individual basis.

- **Return Charges:** The fee for preparation and lodgment of your **Basic Individual Return** remains **\$130.00** GST inclusive.

- Additional charges apply for extra schedules and complex issues. These may include:

- | | | |
|------------------------------|--------------------------------------|---------------------------------------|
| - Rental Property | - Contractor Income | - Business Losses and Deferred Losses |
| - Capital Gains Calculations | - Rebates for Pensions and Annuities | - Low Cost Pools |
| - PSI Schedules | - Rebates for Medical Related Items | - Employee Share Schemes |
| - Termination Payments | - Investments and Trust Income | |
| - Spouse Claims | - Depreciation Schedules | |

We also provide a complete range of other services outside of tax preparation, such as: **Business Planning, Advice and Investment Strategies. Leasing and HP Finance** at competitive rates is also now available.

We strive to have our system as up to date as possible, so please bring along your most current **email address**.

To make an appointment for your Tax Return please **ring Nicola on 9314 6011**.

Yours Faithfully,
Peter J. Smith - CPA
James W. Mann & Associates

June 2014 Client Newsletter

The end of financial year is almost upon us so it's time to get on top of the paperwork. We have attached a Tax Return Checklist and here is a list of some of the things you need to think about in the lead up to the new financial year.

Employers

Employers must provide 2014 PAYG Payment Summaries to employees by Monday 14 July 2014. Ensure that the salary sacrifice superannuation contributions and reportable fringe benefits have been included on the PAYG Payment Summaries. You must then provide the ATO with the information they need by 14 August.

Taxable Payments

If you are in the building and construction industry your Taxable Payments Annual Report is due on July 21st.

Other Changes

From 1 July 2014, the **Super Guarantee rate** is increasing from 9.25% to 9.5%. You will need to adjust your payment rate for employees. The **Medicare levy rate** also increases from 1.5 to 2% of taxable income.

The ATO has also made changes that will come into effect in July 2014 in relation to Standard Business Reporting (SBR). SBR includes BAS reports and Wages including lodgement of Tax file number declarations and end of year PAYG information.

The ATO has also announced it will be requiring all businesses to lodge PAYG information electronically in the future so it is important to ensure your payroll software program such as Wages Manager or Cashflow Manager GOLD is up to date.

If you need any assistance in these matters please call us.

The 2014 Federal Budget and How It Affects Small Business

The 2014 Federal Budget has been constantly in the news after announcements about cuts to areas such as education, health and welfare. In view of the extensive publicity it is our goal here to help our small business clients understand what it means to them. So here's some of the changes and an indication of how they might affect small business owners.

Superannuation Guarantee Rates

As originally proposed, the superannuation guarantee rate will increase to 9.5% from 1 July 2014 and stay that way until the 2018/19 financial year. The rate will then increase by .5% per year until 2022/23 when it reaches 12% per annum.

Superannuation Contributions

The concessional contribution limits from 1 July 2014 as previously announced are left unchanged at \$35,000 for those individuals aged 49 or over on 1 July 2014 and \$30,000 for those under 49. For people less than 65 years of age, non-concessional contributions (i.e. contributions made from a person's after tax income) will be capped at \$180,000 per annum (or \$540,000 over three years).

Year	Concessional Contribution Cap			Non-Concessional Contribution Cap	
	Age < 50 years	Age 50 < 60 years	60 years and over	Standard	3 year bring forward
2013/14	\$25,000	\$25,000	\$35,000	\$150,000	\$450,000
2014/15	\$30,000	\$35,000	\$35,000	\$180,000	\$540,000

Any person who has had non-concessional contributions over the limit will be given the option to extract the excess contribution together with applicable earnings with no extra tax penalty on the superannuation fund as from 1 July 2013. However, the individual person will pay tax on the withdrawal of the earnings at their marginal tax rate.

Fuel Excise

If you rely heavily on fuel then it's about to get worse with twice yearly indexation to fuel excise reintroduced.

Unfair Contracts Protection

A scheme to protect small businesses from unfair contracts pushed on them by big business will make unfair terms in standard form contracts void.

Small Business and Family Enterprise Ombudsman

A Small Business and Family Enterprise Ombudsman will be established to contribute to the development of business friendly laws and regulations and help small and family businesses in their dealings with government.

Reduction of Company Tax Rate

A reduction in the company tax rate of 1.5% will take effect from July 2015.

Wage Subsidies

To help in addressing the increasing overheads of an ageing population, businesses that employ mature aged staff over the age of 50 will receive a \$10000 wage subsidy over 24 months for each new full time worker in this category. A smaller subsidy based on hours worked will also apply for part-time workers.

A business employing a person who has been on 'Work For the Dole' for 6 months is also promised a subsidy from the government.

Temporary Tax Repair Levy

A Temporary Tax Repair (Debt) Levy of 2% on the highest marginal income tax rate will apply for the next 3 income tax years to taxpayers on incomes above \$180,000.

Fringe Benefits Tax

The rate for calculating fringe benefits tax will increase to 49% from the current 47% from 1 April 2015 until 31 March 2017.

Entrepreneurs' Infrastructure Program (EIP)

The Federal Government plans to create an Entrepreneurs' Infrastructure Program to assist lifting the skill levels of small business, create jobs, commercialise good ideas, providing industry and market information, as well as access to management assistance that is to come from experienced providers in the private sector. To make way for this, a number of current government programs including will cease from 1 January 2015.

Family Tax Benefit & Other Welfare Reforms

Another Federal Budget announcement is that from 1st July 2014 eligibility thresholds for non-pension payments including Family Tax Benefit, Child Care Benefit, Child Care Rebate, Newstart Allowance, Parenting Payments and Youth Allowance will be frozen for 3 years. A range of reforms has also been proposed to limit the availability of Family Tax Benefits including.

- The primary earner income limit for Family Tax Benefit B (FTBB) will be reduced from \$150,000 to \$100,000 per annum from 1 July 2015.
- Access to FTBB will be restricted to families where the youngest child is less than 6 years of age as at 1 July 2015. Families whose youngest child is aged 6 and over on 30 June 2015 will remain eligible for 2 years.
- Income thresholds of Family Tax Benefit A (FTBA) will no longer be linked to inflation and rates will be frozen until 30 June 2017.
- The payment rate for FTBA and FTBB will be frozen from 1 July 2014 to 30 June 2016.
- A per-child add-on amount will no longer be used to calculate a family's higher income-free area for FTBA from 1 July 2015. The higher income-free amount of \$94,316 will remain, without the add-on amount of \$3,796 for each extra child.
- As of 1 July 2015 FTBA & FTBB end of year supplements have returned to their original rates (of \$600 and \$300 respectively) and will remain at that rate instead of being index linked.
- As from 1 July 2015 the FTBA Large Family Supplement will only apply to families with four or more children.
- From 1 July 2015, single parents on the maximum rate of FTBA who do not receive FTBB will receive a new allowance of \$750 per child aged between 6 and 12.

It is important to remind you that this newsletter contains general information and does not constitute advice. You should not act solely on the basis of the material contained in this newsletter and if you have any questions or require detailed information on anything included here then please contact us.

Finally, we also want to say thank you for the confidence you show in us by referring your friends and colleagues to us. We hope that the 2014/15 financial year is a highly rewarding one for you.

2014 Tax Return Checklist

The following is a checklist for information required to prepare income tax returns for this year. Please ensure that you review the checklist and have all information available when completing your tax returns.

Individual Tax Returns

Income

- Gross Salary, Wages, Allowances, Benefits, Earnings, Tips and Directors Fees.
- Income from Business Activities.
- PAYG Payment Summaries.
- Details of any non-cash benefits received including discount(s) on employee shares or rights.
- Lump sum and termination payments. All documentation should be provided including an ETP Payment Summary from the employer or fund.
- Government Social Security payments, including pensions, unemployment and sickness benefits.
- Details of any CGT asset sales (e.g. shares and real estate). Please include dates of, and costs associated with, acquisition and disposal: (You can save tax if you qualify for the variety of CGT concessions).
- Annuities, including allocated pensions or superannuation income streams.
- Income from trusts and partnerships. Statements of distribution should be provided where appropriate.
- Rental income.
- Interest and dividends received and any tax deducted. Include details of franked dividends (imputation credits).
- Foreign source (employment and pension) income and details of any foreign tax credits.

Deductions

- Investment and property expenses (carefully detail interest claims).
- Subscriptions (not including sporting or social clubs).
- Employment related expenditure such as work-related motor vehicle, self-education, protective clothing, tools, uniform and laundry expenses.
- Donations of \$2 and over.
- Income protection Insurance premiums.
- For self-employed persons details of any superannuation contributions made.
- Tax Agent Fees and other accounting / tax audit fees.
- Special deductions (Australian films, investment shelters and agribusiness-type schemes).
- Bank fees (where the credit or deposit represents assessable income).
- Unrecouped prior year losses.

Rebates

- Private health insurance annual statement.
- Details of superannuation contributions where no tax deduction can be claimed.
- Any changes in dependents including children's details, dates of birth and any Centrelink benefits applicable. The income of your spouse also needs to be provided.
- Details of any income received in a lump sum that was accrued in earlier income years (e.g. assessable pensions).
- Details of any remote work performed for 183 days or more.
- Net family medical expenses if they exceed \$2120 in total (i.e. medical expenses paid net of reimbursements from Medicare and/or health fund). This can only be claimed by taxpayers who claimed this offset in 2012/2013.
- HECS Debt details

New Clients

- Last year's Notice of Assessment and Tax Return (if available).

Companies, Partnerships, Trusts and Other Business

Income

- Trading income.
- Other income (e.g. Rent, Interest, Royalties, Trust Distributions).
- Stock on Hand at 30 June 2014 (and basis of valuation) – note any obsolete stock.
- Work-in-Progress at 30 June 2014.
- Primary Producer subsidies (if assessable).
- Details of CGT assets (e.g. shares and real estate) sold, including dates of, and costs associated with acquisition and disposal.
- Dividends, including details of franking credits.
- Income from foreign sources including details of any foreign taxes paid.

Deductions

- Bank fees (where the credit or deposit represents assessable income).
- Repairs and maintenance.
- Salaries, including fringe benefits.
- Fringe benefits tax paid.
- Rates, land taxes and insurance premiums.
- Advertising expenses.
- Interest on borrowed monies.
- Deductions relating to foreign source income.
- Prepaid expenses (subject to transitional rules)
- Retirement payments and golden handshakes.
- Bad debts actually written off during the year.
- Donations of \$2 and over depending on the recipient.
- Commissions.
- Legal expenses.
- Lease or Chattel Mortgage payments on motor vehicles and equipment.
- Losses of previous years (or intra-group transfers).
- Superannuation contributions.
- Subscriptions.
- Car expenses (remember to include petrol, repairs and parking and maintain a log book where necessary).
- Tax agent's fees and other accounting and tax audit fees.
- Royalties paid.
- Details of the destination and purpose of any interstate or overseas trip. Expenses must be fully documented where travel involves at least one night away from home. Travel diaries should be included where travel exceeds five nights within Australia or any overseas travel.
- Research and development expenditure.

Assets

- Details of depreciable assets acquired and/or disposed of during this income year, including:
 - type of asset;
 - date of acquisition
 - consideration received/paid
- Lease commitments.
- Debtors at 30 June, 2014
- Commercial debts forgiven.

Liabilities

- New loans taken out during the year and their purpose, including any new lease or chattel mortgage agreements.
- Statements from the lending authority detailing the opening and closing balances of existing loans during the financial year.
- Provisions for long service and annual leave.
- Creditors at 30 June, 2014
- Details of loan accounts to directors, shareholders, beneficiaries and partners.
- Accrued expenses (e.g. audit fees, interest payments).
- Commercial debts forgiven.

Additional Information

- Franking account details/movements
- Overseas transactions, exchange gains/losses.
- Private companies - remuneration or loans to directors, shareholders and their relatives.
- Changes to the capital of the company.
- Whether family trust elections have been made in relation to trusts.
- A backup of your accounting file for the year.

Note: To ensure that you obtain the maximum deductions to which you are entitled and in consideration of the penalty provisions, FULL DETAILS of any claim should be provided and supporting documentation made available. For employee taxpayers and for travel and motor vehicle claims by self-employed taxpayers, documentation must be a receipt, tax invoice or similar document that contains the required details. For other taxpayers, documentation may comprise receipts, dockets, diary notations or reasonable and supporting estimates.

8 Most Common Errors in Income Tax Returns

1. Omitting Interest Income
2. Incorrect or Omitted Dividend Imputation Credits
3. Capital Gains/Losses are Incorrect or Omitted
4. Understating Income
5. Home Office Expenses
6. Depreciation on Rental Property Fixtures and Fittings
7. Depreciation on Income Producing Buildings
8. Borrowing Costs associated with Negative Gearing